

Beyond the deconstruction of myths and misunderstands about Energy Integration in South America

GEE Grupo de
Economia
da Energia

Speaker

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Beyond the deconstruction of myths and misunderstands about Energy Integration in South America



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□ General Approach

*The energy integration is subjected to a number of priorities in the several forums of each country in the South American : **different approach in the subject.***

□ Hot Topics

- ✓ *Apprehension: the loss of identity and sovereignty of nations.*
- ✓ *Obstacles: Financing sources for high long-term investments.*
- ✓ *Old resentments among some nations. The need to overcome distrust.*
- ✓ *The absence of strong political decisions to towards energy integration in the continent.*
- ✓ *The need of solid regulations that include international agreement among the countries involved.*
- ✓ *The focus of discussion in lately has been the importance of China's investments (the energy sector) in the region.*

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□ The Projects

- ✓ *The infrastructure integration projects are often prioritized by the needs demands of each country.*
- ✓ *In this context it lacks a strategic planning.*

□ **The projects : uncertainty for the investors**

- ✓ *The region's geography (mountain ranges, forests etc) makes it difficulty to elaborate projects.*
- ✓ *The regulations heterogeneous.*
- ✓ *The asymmetries of social, political and economic structures in the region.*

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□ The Consensus: (gains that surplus beyond geopolitical interests)

✓ *The complementarity of energy resources (hydrological diversity).*

✓ *The diversification of the energy matrix of countries.*

□ Bilateral Agreements: The possible solution (easiest way)

But

✓ *The bilateral commitments restrict a global infrastructure planning in the region.*

✓ *For example : natural gas construction agreements.*

✓ *The exposure to changes in regulations already defined*

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□ Opportunities

- ✓ *Plentiful energy resources.*
- ✓ *Important of oil and natural gas reserves.*
- ✓ *The region has great potential for natural gas exchange.*
- ✓ *Important uranium reserves .The prospective for increasing nuclear generation in the continent.*
- ✓ *The region has 30% of the renewable water resources in the world*

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✓ *There is a significant potential for energy integration in South America .*

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□ It`s not about energy, but it´ s about power

- ✓ *Diplomatic scenario: there is a trade-off between the discussion of energy integration and the sovereignty of the countries involved.*
 - ✓ *Economic Scenario: developing countries with higher country risk classification lead to difficulties while accessing financial markets.*
 - ✓ *The difficulties in making investments: the strategy was to promote the projects and to attract private investments.*
 - ✓ *The economic crisis in 2008 led to the region being an exporter of commodities to China and insufficient infrastructure.*
 - ✓ *The starting with the birth of Pacific Alliance in 2012 - México, Peru, Chile e Colômbia .*
 - ✓ *The Pacific Alliance has approximately 45% of Latin America`s GDP.*
 - ✓ *The increasing trade in the basin of the Pacific basin with Asia (China)*
- Political Scenario. The historical conflicts bring low attractiveness of investments (private and public)*

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□ About energy

- ✓ *Technical Scenario : The absence of technical standards in the electrical systems.*
- ✓ *The need of information transparency and the availability of reliable official data are necessary conditions for the national markets to be included in a regional market.*
- ✓ *Countries separated by geographical obstacles.*

□ Conceptual Myths

✓ *Some specialized articles evaluate that energy integration as only a physical integration. But a number of aspects are still lacking :For example: Political, social, historical, cultural, institutional factors.*

✓ *A reading less attentive or without previous knowledge of these analyzes will certainly lead to a misunderstanding.*

✓ *Integration vs cooperation: agreements and understandings among nations do not characterize an integration process*

□ Misunderstood practices

✓ *The role of public and private agents.*

✓ *The electrical integration that has generation, transmission and distribution of electricity infrastructure is not similar to oil products trading for instance.*

why

✓ *The uncertainty : the loss of identity and sovereignty of nations.*

✓ *There are politicians, experts who understand that good business practices can solve energy relations among countries.*

✓ *The integration requires that countries are aligned with long-term goals.*

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✓ *The reality is that each country composes its energy planning and its investments under its own interests in short or medium term.*

□ Final Remarks

- ✓ *The issues are interdisciplinary.*
- ✓ *To understand the energy integration is not about having technical and economic studies.*
- ✓ *Political, cultural and institutional issues and above all each country's interests make the projects unfeasible.*

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Obrigado



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